BANK OF CANADA | CELEBRATING 75 YEARS
BANQUE DU CANADA | CÉLÉBRONS 75 ANS

Senior Loan Officer Survey

on Business-Lending Practices in Canada

Results of the Fourth-Quarter 2009 Survey

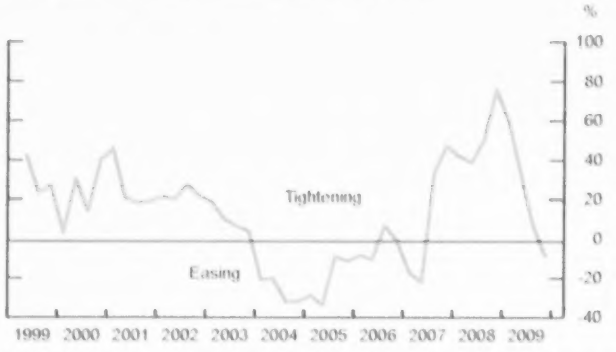
Vol. 2.4 11 January 2010

This *Senior Loan Officer Survey* (SLOS) focused on changes to business-lending practices in the fourth quarter of 2009.

- The survey results point to the stabilization of overall lending conditions during the fourth quarter of 2009, following a number of consecutive quarters of credit tightening for business borrowers **(Chart 1)**.
- There was a slight improvement in the price aspect of business lending compared with the previous quarter, while virtually no change was recorded in the non-price components **(Chart 2)**.
- Some significant differences were observed across borrower categories.
- For corporate borrowers, a majority of survey respondents reported that price conditions had eased during the quarter. These improved conditions are consistent with borrowers' increased access to financing in capital markets during recent quarters, and can also be attributed to the outlook for this segment being seen as favourable by survey respondents.
- However, some small business borrowers continued to face a tightening in price and non-price lending conditions during the quarter. This reflects respondents' ongoing concerns regarding the outlook for these firms, which are often related to industry-specific factors.

Chart 1: Lending conditions have stabilized for Canadian non-financial firms . . .

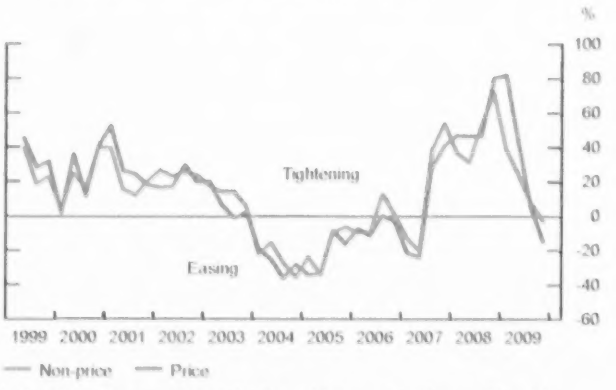
Overall business-lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions. Thus, a positive balance of opinion implies a net tightening. The chart shows the average of the balances of opinion for the price and non-price dimensions of lending conditions.

Chart 2: . . . in both price and non-price terms

Price and non-price lending conditions: Balance of opinion*



* The balance of opinion is calculated as the weighted percentage of surveyed financial institutions reporting tightened credit conditions minus the weighted percentage reporting eased credit conditions.

Note: Each series is the simple average of the balances of opinion for the small business, commercial, and corporate sectors.

The Senior Loan Officer Survey collects information on the business-lending practices of major Canadian financial institutions. In particular, the survey gathers the perspectives of respondents on price and non-price terms of business lending and on topical issues of interest to the Bank of Canada. The survey is conducted quarterly, near the end of the quarter for which the results are reported. The fourth-quarter survey was conducted between 30 November and 4 December 2009. Additional information on the survey is available on the Bank of Canada's website at <http://www.bankofcanada.ca/en/slos/index.html>.

The survey results summarize opinions expressed by the respondents and do not necessarily reflect the views of the Bank of Canada.

ISSN 1918-3968

www.bankofcanada.ca